**Increasing the price of tobacco**

*Increasing the price leads to substantial reductions in tobacco use behaviors*

- Increasing the price of tobacco is the most effective policy option for reducing youth tobacco use initiation and helping smokers quit.
- A 10 percent increase in price reduces adult cigarette demand among adults by approximately 3 to 5 percent.
- A 10 percent increase in price reduces adult smoking prevalence by 1 to 2 percent.
- Recent estimates indicate that youths are up to three times more sensitive to price than adults.
- A 10 percent price increase is estimated to reduce youth smoking prevalence by 5 percent or more and also to reduce cigarette consumption among continuing young smokers.
- Increases in cigarette prices significantly raise the probability of smoking cessation among young adults.
- A 10 percent price increase is estimated to increase the probability of cessation among young adult male and female smokers by 11 and 12 percent, respectively.
  

**Youth access laws**

*Youth access laws alone are not sufficient to affect outcomes*

- Based on a systematic review of the existing tobacco literature, the Community Preventive Services Task Force finds *insufficient evidence* to determine effectiveness of the following youth access-related policies in reducing youth access to tobacco:
  - Sales laws directed at retailers when implemented alone (click here for details)
  - Active enforcement of sales laws when implemented alone (click here for details)

**Youth in Oregon are not getting their tobacco products from retail stores**

- Based on data from the 2013 Oregon Healthy Teens Survey of 8th and 11th graders in Oregon, we know that only 6% of tobacco users in 8th grade and 17% of tobacco users in 11th grade obtain tobacco from stores or gas stations; on the other hand, 34% of 8th and 52% of 11th grade tobacco users obtain tobacco from friends 18 years old or older.


**Tobacco retail licensure**

*There are “strong” and “weak” tobacco retail licenses*

- Important components of a “strong” tobacco retail license
  1. Require all tobacco retailers to obtain a license and renew it annually;
  2. Provide that violation of any federal, state, or local tobacco control law is also a violation of the license;
  3. Authorize suspension or revocation of the license for any violation and identify a dedicated enforcement agency; and
  4. Provide a license fee set high enough to fund all of the costs of administration, implementation, and enforcement of the license.

**Tobacco retail licensing has been effective in reducing sales to minors**

- Local licensing in California has proven effective in reducing sales rates to minors; in one study of
26 communities with strong retail licensing laws, the sales rates to minors decreased dramatically in all but one of the communities.


License fees need to be high to affect the price of tobacco products

- Most existing TRL fees are too low to require retailers with large sale volumes to pass on any costs to the consumer.
- There is potential for **sizeable** increases in licensing fees to impact retail pack prices. See the table below for an assessment of the potential impact of tobacco retailer license fees on the additional cost of a pack of cigarettes.

<table>
<thead>
<tr>
<th>Annual sales volume for cigarettes</th>
<th>Number of packs sold*</th>
<th>Annual license fee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$50</td>
<td>$100</td>
</tr>
<tr>
<td>$25,000</td>
<td>4.167</td>
<td>$0.01</td>
</tr>
<tr>
<td>$100,000</td>
<td>15,667</td>
<td>$0.00</td>
</tr>
<tr>
<td>$300,000</td>
<td>50,000</td>
<td>$0.00</td>
</tr>
<tr>
<td>$500,000</td>
<td>83,333</td>
<td>$0.00</td>
</tr>
<tr>
<td>$1,000,000</td>
<td>156,667</td>
<td>$0.00</td>
</tr>
<tr>
<td>$2,500,000</td>
<td>416,667</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

*Assumes a $6.00 per pack average price (national average=95.95, 11/1/2010 Tax Burden on Tobacco).

*Supermarket, *Gas w/ convenience store, *Warehouse club. The prices that are highlighted are the ones that are more likely to have an impact. The other amounts, such as a potential 1¢ price hike, are very negligible.

- New research also indicates that raising tobacco retail licensing fees may also have the added benefit of reducing the number of tobacco retailers.

High licensing fees have come up against legal challenge

- In 2009, the New York State Legislature raised the fee for a retail registration from a $100 flat fee to a graduated fee schedule of between $1,000 and $5,000, depending on the gross sales of the applicant.
- However, the increased fee resulted in a lawsuit brought by various retailers and retail associations challenging the fee increase as an unconstitutional tax and the fee structure was rolled back.
- Based on the New York experience, any future attempt to establish or increase a retail license fee should present the fees as necessary to support the costs of administering and enforcing the licensing system.
- Typical fee ranges for “strong” ordinances, which fund enforcement through the fee, are approximately $150 to $400 annually.
- ChangeLab Solutions licensing fee calculator: [http://changelabsolutions.org/tobacco-control/trl-fee-calculator#!/page/0](http://changelabsolutions.org/tobacco-control/trl-fee-calculator#!/page/0)
Restriction on tobacco retailer proximity to schools

- Alcohol and tobacco use was positively associated with distance from respondents’ home to the nearest alcohol and tobacco retailers
- A study of tobacco retailers in New York and Missouri found more retailers in low income areas; however, a higher proportion of retailers in low-income neighborhoods are in urban areas, which also have stores located in closer proximity to schools. Proximity-based policies will be more effective in reducing youth exposure to tobacco retail advertising or banning tobacco sales near schools in lower income neighborhoods.
- Illicit tobacco sales to minors were more common (29% higher odds) at outlets located closer to high schools in majority African–American block groups

Restriction on density of tobacco retailers in neighborhoods

Density of tobacco retailers affects youth access to tobacco

- The more tobacco retailers there were surrounding a school, the more likely underage smokers were to buy their own cigarettes and the less likely they were to get someone else to buy their cigarettes

Density of tobacco retailers affects youth uptake of smoking

- Density of tobacco retailers is associated with 11% increased odds of experimental smoking among high school-aged youth
- The odds of smoking initiation were significantly higher (41% higher odds) among adolescents exposed to tobacco retail outlets two times or more a week compared with those exposed less.

Density of tobacco retailers affects youth smoking prevalence

- The prevalence of current smoking was 3.2 percentage points higher at schools in neighborhoods with the highest tobacco outlet density (>5 outlets) than in neighborhoods without any tobacco outlets.
- The density of retail cigarette advertising in school neighborhoods was similarly associated with high school smoking prevalence
- However, neither the presence of a tobacco outlet within 1000 feet of a high school nor the distance to the nearest tobacco outlet from school was associated with smoking prevalence
Density of tobacco retailers disproportionally affects some communities

- Census tracts with lower median household income and a greater percentage of African American had greater tobacco retail outlet density

- Lower neighborhood SES and higher convenience store concentration, measure both in density and distance, were both significantly associated with higher levels of individual smoking

Prohibition on redemption of tobacco industry coupons and promotions

The Tobacco Industry spends a lot of money on reducing the price of tobacco products

- Price discounts are the largest single category of tobacco industry spending on advertising and promotions


Tobacco Industry coupons significantly reduce the cost of tobacco

When discount coupons and buy-one-get-one free offers are combined with in-store discounts, they can reduce the price paid to one-third of the original retail price.


Tobacco coupons and price promotions encourage new smokers to smoke more often

- The use of coupon promotions makes cigarettes appear more affordable to smokers with limited economic resources, including children. Evidence suggests that coupons also encourage new smokers to smoke more often, thereby entrenched their habit.

When there is a price promotion available smokers use them
Thirty-five percent of smokers used promotional offers every time they saw one.


Some groups are more likely to use tobacco industry price promotions

- Young adults, women, African Americans, those with higher daily cigarette consumption, and those worried about cigarettes costs are more likely to use promotional offers at every opportunity


Tobacco price promotions encourage youth to smoke

- Higher levels of advertising, lower cigarette prices, and greater availability of cigarette promotions were associated with smoking uptake among 8th, 10th, and 11th graders in the United States
- Availability of tobacco promotions increased the likelihood that youth will move from experimentation to regular smoking; eliminating promotions would result in a 13% relative decline in current established smokers.


Minimum price laws

Cigarette minimum price laws are seen as a promising practice to keep the price of tobacco high

- By using trade discounts and buy-downs, the tobacco industry is often able to keep cigarette prices low even in the face of excise tax increases. A strong cigarette minimum price law can prevent this type of price manipulation.
- Strong cigarette minimum price laws can also prevent price manipulation by geographic area or by brand, thereby reducing targeting of products to certain populations, such as low income and racial and ethnic minority populations as well as youth, who are particularly price sensitive.


It is recommended to pair cigarette minimum price laws with bans on price promotions

- Include a ban on price discounts as part of a cigarette minimum price law to prevent cigarette companies from discounting prices at select stores, select geographies, or at select times (e.g., near a tax hike). Cigarette minimum price laws that include price discount bans are the most effective non-tax approach to raising the price of cigarettes.


- Cigarette prices were not significantly different in a sample of US states with and without cigarette minimum price laws; however most existing minimum cigarette price laws allow the use of promotional programs.